

Message Text

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ORIGIN PM-04

INFO OCT-01 NEA-10 ISO-00 CIAE-00 INR-07 NSAE-00 SS-15

NSC-05 SP-02 L-03 H-02 EB-07 PRS-01 MC-02 IGA-02

OMB-01 AID-05 COME-00 /067 R

DRAFTED BY PM/SAS:DRKEENE:RG

APPROVED BY NEA:SSOBER

PM/SAS - MR. JAMES

NEA/ARP - MR. LYLE

DOD/ISA - COL. BURCH

NEA/RA - COL. HOBBS

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R 280420Z FEB 76

FM SECSTATE WASHDC

TO AMEMBASSY KUWAIT

INFO SECDEF

USCINCEUR

C O N F I D E N T I A L STATE 049237

E.O. 11652: GDS

TAGS: MASS, KU

SUBJECT: GOK COMPLAINTS RE US PERFORMANCE UNDER FMS

REFS: (A) KUWAIT 0510 (B) KUWAIT 0846

1. DEPARTMENT AGREES WITH THRUST OF EMBASSY COMMENTS
CONTAINED REFTEL. ALTHOUGH WE WISH TO BE FORTHCOMING TO
THE GOK, ADMINISTRATIVE, LOGISTICAL AND TRAINING ISSUES
HAVE CONTRIBUTED TO THE MERCURIAL NATURE OF ONGOING PROGRAMS.
THIS FACT, COUPLED WITH GROWING CONGRESSIONAL CONCERN WITH
THE WHOLE QUESTION OF ARMS SALES TO THE GULF, LEADS US TO
SUGGEST, IN SOME INSTANCES, THAT THE GOK PURSUE SOME
PROJECTS IN COMMERCIAL CHANNELS.

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2. DEPARTMENT BELIEVES THAT YOU SHOULD REPLY TO MG MUBARAK

ALONG LINES CONTAINED IN REF A COMMENTS, DRAWING ON PARA 1.
ABOVE AND FOLLOWING SPECIFICS BELOW, WHICH ARE KEYED
TO APPROPRIATE PARAS IN REF A:

--PARA 1A. COST INCREASES IN FMS CASES ARE UNFORTUNATELY
A FACT OF LIFE, DRIVEN BY FACTORS OUTSIDE THE CONTROL OF
USG. EVERY EFFORT WILL BE MADE, HOWEVER, TO PROVIDE
BACKGROUND AND REASONS FOR THESE INCREASES SO THAT NO
MISUNDERSTANDINGS ARISE UNNECESSARILY. DEPARTMENT BELIEVES
THIS IS AN OPPORTUNITY FOR EMBASSY TO EXPLAIN AGAIN FMS
PROCEDURES TO GOK. IT IS HARDLY REALISTIC TO EXPECT THAT
COST ESTIMATES, GIVEN UP TO THREE YEARS AGO, CAN BE
ELD TO RIGIDLY. THIS IS ONLY POSSIBLE THROUGH FIRM-FIXED
PRICE CONTRACTS (SEE MASM FOR DEFINITION). GOK SHOULD
UNDERSTAND THAT AT LEAST SOME OF THE INCREASE IS ATTRIBUT-
ABLE TO THEIR DELAY IN SIGNING LOAS. DATA INCLUDED IN LOA
ON DATE OF SIGNING ARE AS CLOSE AS THE USG CAN COME AT
THAT TIME TO PROVIDING PRICING AND DELIVERY SCHEDULES.
ESTIMATES, ESPECIALLY THOSE CLEARLY IDENTIFIED AS SUCH,
ARE WORKING FIGURES. FREQUENTLY THERE ARE ADDITIONAL RE-
QUIREMENTS, NOT ADDRESSED IN THE ORIGINAL REQUEST FOR AN
ESTIMATE. IN EXPLAINING THESE IS UES TO GOK, EMBASSY
SHOULD ALSO NOTE THAT FACTORS SUCH AS INFLATION, THE RISE
IN THE COST OF TRAINING, PRODUCTION LEAD TIME, AND RELA-
TIVE SIZE OF THE PRODUCTION BASE, ALSO INFLUENCE FINAL
PRICE, DELIVERY SCHEDULE, ETC.

--PARA 1B. WE CONCUR IN EMBASSY RESPONDING ALONG LINES
OF COMMENTS IN REF A. FYI - DEPARTMENT BELIEVES THAT GOK
IS AWARE THAT ORIGINAL PRICES WERE ESTIMATES ONLY, AND
WERE CLEARLY IDENTIFIED AS SUCH. GOK MAY BELIEVE THIS
TYPE COMPLAINT IS USEFUL FOR NEGOTIATING PURPOSES. END
FYI.

-- PARA 1C. WE CONCUR IN REPLY ALONG LINES OF REF A, BUT
INDICATE THAT ALL MAJOR CASES HAVE NOW BEEN PRESENTED,
THOUGH SEVERAL REMAIN UNSIGNED. EMBASSY MIGHT ALSO WISH
POINT OUT THAT THERE ARE MANY INHERENT DIFFICULTIES IN
R:SPONDING TO SPECIFIC GOK REQUESTS. FOR EXAMPLE, THE
U.S. ARMY DOES NOT DEPLOY ITS I HAWK BATTERIES IN HARDENED
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SITES, SO THAT ANSWERING A GOK REQUEST FOR SUCH EMPLACE-
MENT REQUIRES SPECIFIC R AND D EFFORTS WITH ATTENDANT
COSTS.

-- PARA 1D. CONCUR IN EMBASSY'S PROPOSED RESPONSE ALONG
LINES REF A.

-- PARA 1E. CONCUR IN REPLY CITING REF A COMMENTS WITH

SUITABLE APOLOGIES.

-- PARA 1F. ASSIGNMENT OF OFFICERS DEPENDS UPON ACCEPTANCE OF USLOK LOA, AS STATED REF A. IN THIS CONNECTION, EMBASSY MAY WISH TO NOTE IN ITS REPLY THAT SINCE WE ARE UNABLE TO SUPPLY THE REQUESTED SUPPORT UNTIL LOA (UDL-FOR PMO) IS SIGNED, UNAVOIDABLE GOK INABILITY TO SIGN BOT UDL AND USLOK ARGUMENTATION (REF B) IS REAL REASON FOR DELAY.

-- PARA 1G. CONCUR IN REPLY ALONG LINES REF A, STRESSING THAT SALES TERRITORY IS SUBJECT OF USG AGREEMENT WITH OTHER PRODUCING COUNTRIES AND KUWAIT IS NOT INCLUDED IN US SALES TERRITORY. YOU ALSO MAY WISH TO POINT OUT THAT ROLAND WAS ORIGINALLY A EUROPEAN SYSTEM.

--PARA 1H. SINCE EMBASSY INDICATES GOK NOW UNDERSTANDS THE PROPER PROCEDURES AND THAT TECHNICAL SECURITY AGREEMENT HAS BEEN SIGNED, WE BELIEVE THIS PROBLEM HAS BEEN RESOLVED. FYI. WE ARE IN THE PROCESS OF ATTEMPTING TO RESOLVE THE QUESTION OF ACCESS BY EGYPTIAN ADVISORS AND WILL NOTIFY EMBASSY AS WELL AS GOK AS SOON AS POSSIBLE. BECAUSE QUESTION IS COMPLEX, AFFECTING A WIDE RANGE OF ISSUES, IT MAY BE SOME TIME BEFORE AN ANSWER IS AVAILABLE. END FYI.

--PARA 2A. SAME CONSIDERATIONS APPLY TO THIS COMPLAINT AS TO THAT IN PARA 1A ABOVE, BUT NAVY WILL PROVIDE ADDITIONAL DETAILED INFO FOR YOUR USE IN PROVIDING A FULLER RESPONSE TO THIS COMPLAINT.

--PARA 2C. LOA WILL BE FORWARDED IN THE VERY NEAR FUTURE. FYI. WE EXPECT THIS LOA TO BE AVAILABLE IN EARLY MARCH
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WITH A PRICE TAG OF ABOUT \$20.8 MILLION. END FYI.

--PARA 2D. EMBASSY HAS, OR SHOULD SHORTLY RECEIVE A LETTER FROM NAVY EXPLAINING THESE DIFFERENCES. CONCUR IN REPLY ALONG LINES OF NAVY LETTER.

--PARA 3. BOTH TAFT'S CAN NOW BE SUBMITTED ON SEPARATE LOAS. LOAS ARE NOW UNDER PREPARATION AND SHOULD BE AVAILABLE SHORTLY.

--PARA 4. EMBASSY IS CORRECT IN STATING THAT USG WILL NOT PERFORM ADAPTATION, INSTALLATION, OR TRAINING RE TOW/GAZELLE BECAUSE THIS SYSTEM IS NOT IN USE BY USG. WE UNDERSTAND, HOWEVER, THAT HUGHES IS WILLING TO UNDERTAKE PROJECT ON A COMMERCIAL BASIS AND WILL SHORTLY BE IN

COUNTRY AT GOK REQUEST.

--PARA 5. WE HAVE CONCLUDED THAT USG IS UNWILLING TO UNDERTAKE, UNDER FMS, A TECHNICAL TRAINING SCHOOL. WE ARE, HOWEVER, PREPARED TO FAVORABLY CONSIDER REQUESTS FOR PROVIDING THIS SERVICE UNDER COMMERCIAL PROCEDURES. WE HOPE THAT THE GOK SEES THIS DECISION AS ONE DICTATED BY PRACTICAL CONSIDERATIONS AND THAT OUR WILLINGNESS TO LICENSE COMMERCIAL DATA AND ASSISTANCE IS A DEMONSTRATION OF OUR BASIC GOODWILL TOWARD THE GOK AND OUR BASIC WILLINGNESS TO BE AS HELPFUL AS POSSIBLE.

--PARA 6. WE WILL ADDRESS QUESTION OF COMMAND AND CONTROL AND JOINT OPERATIONS CENTER IN SEPARATE MESSAGE.

--PARA 7. WE CONCUR IN EMBASSY REPLY ALONG LINES REF A.

3. REPLY TO EMBASSY'S RECOMMENDATIONS RE USG POLICY FOLLOWS SEPTTEL. INGERSOLL

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Message Attributes

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